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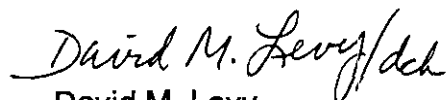
Docket No. R97-1

Postal Rate And Fee Changes, 1997

**RESPONSES OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO INTERROGATORIES USPS/ANM-T1-30 THROUGH -34**

The Alliance of Nonprofit Mailers hereby provides the responses of its witness, John Haldi, to interrogatories USPS/ANM-T1-30 through -34. Each interrogatory is stated verbatim and followed by its response.

Respectfully submitted,



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February 10, 1998

## RESPONSES OF ANM WITNESS JOHN HALDI TO USPS INTERROGATORIES

USPS/ANM-T1-30. Please refer to ANM-T-1, page 23. You claim that "the higher ratio of direct tallies [for mail that is handled manually] will cause an increase in the share of "not handling" tallies and costs assigned to manually sorted mail."

- (a) Does your statement assume that the "not handling" costs are related to mail processing operations other than manual operations? Please explain fully.
- (b) Does your statement assume that "not handling" costs are distributed using an aggregate "mail processing direct labor" distribution, as in the "old" Postal Service methodology? Please explain fully.

### RESPONSE

- (a) No. My statement pertains to the fact that "not handling" tallies are *distributed* in proportion to direct tallies. Very little seems to be known about what is *causing* the increase in the number and proportion of "not handling" tallies, or to what the "not handling" costs are related in any causal sense.
- (b) When I prepared my testimony, I was thinking of the "old" Postal Service methodology. I suspect, however, that my statement is equally applicable to the "new" Postal Service methodology. To elaborate, assume that the Postal Service does indeed have excess labor and that "not handling" tallies reflect the existence of such excess labor. Since machines typically have fixed complements, any excess clerks and mailhandlers are likely to be assigned either to a manual sorting operation or to some other operation that does not have a fixed complement (e.g., dock handling or an opening unit). These other operations then function as a sort of "excess labor pool" that can be drawn upon as needed. When clerks and

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mailhandlers in this "excess labor pool" are "not handling" mail, the cost of the "not handling" tallies will be confined to the "excess labor pool"

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(USPS/ANM-T1-30 continued)

(according to its MODS number where these employees are clocked in),  
and will not be spread over a wider base.

The "new" MODS-based approach does nothing to provide a causal explanation for the high and increasing proportion of "not handling" tallies, nor does it explain whether any of these tallies are related to the claimed non-volume variability of mail processing cost, nor does it provide any kind of internal control to help contain "not handling" costs.

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USPS/ANM-T1-31. Please refer to your testimony at page 24. You claim that "the sharp increase in mail processing cost, *relative to direct carrier costs*, is also fully consistent with the hypothesis that the Postal Service has excess mail processing labor" (emphasis in original).

- (a) Please confirm that "direct carrier costs" refers to city carrier in-office (cost segment 6) costs. If you do not confirm, please indicate the correct cost segment(s) and/or component(s).
- (b) Did you consider any other hypotheses that might explain the increase in mail processing costs relative to city carrier in-office costs? If so, please list all hypotheses you considered and all evidence that might support or refute each hypothesis.
- (c) Please refer to USPS-T-4 at pages 7-8. Could the increase in mail processing costs relative to city carrier in-office costs be consistent with the shift of delivery point sequencing (DPS) workload from city carriers to Delivery Bar Code Sorter (DBCS)-i.e., mail processing-operations? Please explain.

**RESPONSE**

- (a) Confirmed.

(b) Yes, since over four-fifths of all nonprofit mail is letter-shaped (see Table 4 at page 14 of my testimony), I considered it possible that using DPS could have shifted some workload from city carriers to mail processing operations. Shifting workload from manual carrier casing to automated DPS should result in lower unit cost, not higher unit cost for both operations combined.

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(USPS/ANM-T1-31 continued)

One alternative hypothesis considered is that IOCS mail processing tallies for nonprofit mail are simply erroneous. See my testimony, pages 26-33 for discussion of this possibility.

The other alternative hypothesis which I considered is that some Standard A mail entered by nonprofit organizations bears nonprofit evidencing of postage, and is recorded by the IOCS as nonprofit mail, while at the same time such mail pays commercial rates and is in fact recorded by the Postal Service's revenue and volume data systems as Commercial Standard A mail. See my testimony, pages 34-44 for discussion of this possibility. Also see my response to USPS/ANM-T1-35 and Exhibit 1 (revised 2/9/98) attached. The survey summarized in Exhibit 1 firmly establishes the correctness of this hypothesis. The only open question is the extent to which the situation described here exists.

(c) See answer to (b).

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USPS/ANM-T1-32. Please refer to your testimony at page 31, and to USPS-LR-H-49, page 131.

- (a) For the seven tallies with anomalous weights, is it possible that the data collector recorded the subclass correctly but the weight incorrectly? If your answer is negative, please explain.
- (b) Assuming the error is only the recorded weight, is it necessary to disregard the tallies in computing the cost of Nonprofit Standard Mail (A)? Please explain.

**RESPONSE**

(a) With the IOCS, it seems that almost anything is possible. It is more likely, however, that the erroneous entry involves the class or subclass identification. Recording weight is a relatively simple and straightforward task. Moreover, based on my understanding of LR-H-49, page 131, the data collector must make two separate, erroneous entries to record weight improperly: first, by indicating that the weight is in excess of 4 ounces; and second, by recording an incorrect value for the actual weight of the mail piece.

(b) I do not fully understand the meaning of the phrase "is it necessary to disregard the tallies." At the time I wrote my testimony, it was my presumption that the Postal Service's standards for the IOCS database exist to maintain a high level of quality in the data. If such standards do not exist (or are unenforced), and the Service and the Commission are prepared to accept obvious garbage, then my answer is no, it is not necessary. In that case, though, why bother recording anything except the subclass?

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USPS/ANM-T1-33. Please refer to ANM-T-1, page 32. Consider a letter-shape piece (per DMM C050) that weighs 3 lb.

- (a) Please confirm that the maximum volume of the mailpiece is approximately 17.61 cubic inches (6.125"x11.5"x0.25"). If you do not confirm, please provide the number you believe to be correct, and explain your answer.
- (b) Please confirm that the minimum density of such a piece is approximately 0.17 lb/cu. in. If you do not confirm, please provide the number you believe to be correct, and explain your answer.
- (c) Please explain what sort of Nonprofit Standard Mail (A) letters would be expected to have a density equal to or in excess of the density from part (b).

**RESPONSE**

(a) Confirmed.

(b) Confirmed.

(c) A cubic foot (12" x 12" x 12") contains 1,728 cubic inches. A density of 0.17 lb/cubic inch is therefore equivalent to a density of 293.76 lbs/cubic foot. Ordinary 20-lb. paper has a density of approximately 50 lbs/cubic foot. Thus a Nonprofit Standard Mail (A) letter that weighs 3 pounds would be expected to have a density that is at least six times greater than the density of ordinary paper. The density would have to be considerably greater than water, which has a density of about 62 pounds per cubic foot, or even solid glass (which has a specific gravity 2.7 times heavier than water), but somewhat less than the density of solid iron, which has a specific gravity about 8 times that of water.



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USPS/ANM-T1-34. Please refer to ANM-T-1, page 32.

- (a) Please confirm that, of the 2333 Standard Mail (A) Nonprofit tallies with recorded weight, 1485 tallies (63.65% of the total) have a recorded weight less than one ounce.
- (b) Please confirm that, of the 2333 Standard Mail (A) Nonprofit tallies with recorded weight, 428 (18.35% of the total) have a recorded weight between one and two ounces.
- (c) Is it possible that the weight distribution of the Standard Mail (A) Nonprofit tallies is consistent with an average weight per piece of 1.1 oz.? If your answer is negative, please provide a detailed proof of the impossibility.

**RESPONSE**

- (a) Confirmed.
- (b) Confirmed.
- (c) Yes, it is possible.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

John Haldi

Dated: February 10, 1998

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

David M. Levy/leh

February 10, 1998